

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF LAKE ANGELUS	County OAKLAND
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 23, 2006	Date Audit Report Submitted to State NOVEMBER 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

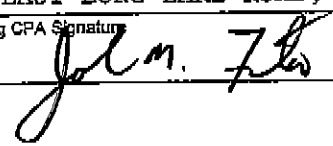
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

☒ ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JANZ & KNIGHT, P.L.C.		Telephone Number (248) 646-9666	
Street Address 300 EAST LONG LAKE ROAD, SUITE 360		City BLOOMFIELD HILLS	State MI
Authorizing CPA Signature 		Printed Name JOHN M. FOSTER	Zip 48304
		License Number 1101016537	

CITY OF LAKE ANGELUS
OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts
June 30, 2006

CITY OF LAKE ANGELUS
OAKLAND COUNTY, MICHIGAN
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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

50
YEARS
1954-2004

FREDERICK G. JANZ
ROBERT I. KNIGHT
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JOHN W. MACKEY
MICHAEL V. HIGGINS
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The City Council
City of Lake Angelus
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lake Angelus, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lake Angelus, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Angelus, Michigan, as of June 30, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

Janz & Knight, P.C.

Certified Public Accountants

Bloomfield Hills, Michigan

October 23, 2006

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake Angelus's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$2,310,365 at the close of the year ended June 30, 2006. This represents an increase of \$32,299 or a 1.4% increase from a year ago. This was the result of current year capital acquisitions. These acquisitions are being financed by current year revenues. The costs however, will be spread over the life of the capital asset as depreciation.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2006 and 2005:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Current and other assets	\$ 810,190	\$ 813,244
Capital assets	<u>1,528,479</u>	<u>1,499,595</u>
Total assets	<u>\$2,338,669</u>	<u>\$2,312,839</u>
LIABILITIES AND NET ASSETS		
Current and other liabilities	\$ 28,304	\$ 34,773
Net assets:		
Invested in capital assets	1,528,479	1,499,595
Restricted	165,738	197,310
Unrestricted	<u>616,148</u>	<u>581,161</u>
Total net assets	<u>\$2,310,365</u>	<u>\$2,278,066</u>
Total liabilities and net assets	<u>\$2,338,669</u>	<u>\$2,312,839</u>

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$166,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2006

The following table shows the changes in net assets for the years ended June 30, 2006 and 2005:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Program Revenue:		
Charges for services	\$ 16,893	\$ 7,626
Operating grants and contributions	19,434	29,262
General Revenue:		
Property taxes	623,814	595,490
State shared revenue	25,674	26,167
Unrestricted investment income	27,969	18,181
Franchise fees	3,621	3,766
Miscellaneous	202	60
Consent judgment	21,432	20,848
Sale of fixed assets	<u>1,500</u>	<u>(14,214)</u>
Total revenue	\$ 740,559	\$ 687,186
Program Expenses:		
General government	196,717	175,598
Public safety	473,055	466,686
Community and economic development	3,256	2,623
Public works	7,717	6,727
Recreation and culture	<u>35,515</u>	<u>25,198</u>
Total program expenses	\$ 708,260	\$ 676,832
Increase in net assets	\$ 32,299	\$ 10,354
Net assets - beginning of year	<u>2,276,066</u>	<u>2,267,712</u>
Net assets - end of year	<u>\$2,310,365</u>	<u>\$2,278,066</u>

As shown in the above table total revenues were approximately \$740,000, of which 84% was obtained from property taxes and 4% from state shared revenue. Total expenses were approximately \$708,000, of which 68% of the City's expenses related to public safety and public works.

The City Funds

The analysis of the City's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2006 include the General Fund, Major Road Fund, Local Road Fund and the Improvement Revolving Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$721,000. Of this revenue, state-shared revenue accounted for 4% and property taxes 87% of the total revenue. Total expenditures for the year were approximately \$729,000. Of these expenditures, public safety accounted for 61% and capital outlay accounted for 6% of the total expenditures. At June 30, 2006 the unreserved fund balance of \$518,911 represented 71% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at year end was approximately \$61,000.

The Local Road Fund accounts for the repairs, maintenance and construction of all City local streets. The fund balance of this fund at year end was approximately \$22,000.

The Improvement Revolving Fund is used to account for money advanced for future capital and emergency needs of the City. The fund balance of this fund at year end was approximately \$97,000.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. The budget for building permit revenue was increased because of increased activity and a revised permit fee schedule. The budget for legal fees, environmental and planning commission was amended to reflect additional activity. The budget for city hall and grounds repairs, city property maintenance and culture and recreation repairs was amended to reflect lower activity. Overall, most departments stayed below budget. General Fund total expenditures of \$729,427 were below the amended budget amount of \$740,590.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the City had \$1,528,479 invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings and police equipment. In addition, the City has invested in roads and related infrastructure within the City.

During the year the City added major capital assets as follows:

Police vehicle	\$30,870
Police equipment	10,499
Police station garage	25,765

Long-Term Debt

The City has no outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's 2007 budget was prepared using various economic factors as follows:

Revenues:

Property tax revenues are expected to increase by approximately \$23,000. This increase is primarily the result of a change in taxable value of property being sold or improved within the City. The millage rate for 2007 is unchanged at 9.9571.

State shared revenue is expected to be consistent with 2006 revenue amounts.

Interest income is expected to be consistent with 2006 revenue amounts.

Expenditures:

Legal fees are expected to be lower.

Environmental expenditures are expected to be lower.

Fire protection reflects scheduled increases.

Repairs and maintenances expenditures are expected to be higher.

Police salaries are expected to be higher.

Capital outlay is expected to be lower.

The projected General Fund's unreserved fund balance at June 30, 2007 is approximately \$519,000 which represents approximately 71% of the General Fund expenditures for the year ended June 30, 2007.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Lake Angelus, 45 Gallogly Road, Lake Angelus, Michigan 48326.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents.	\$ 717,114
Accrued interest receivable.	9,857
Due from agency funds.	926
Restricted assets - cash and cash equivalents.	82,293
Capital assets (net)	<u>1,528,479</u>
Total assets	<u>\$ 2,338,669</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 7,402
Deposits payable	<u>20,902</u>
Total liabilities.	\$ 28,304
Net assets:	
Invested in capital assets	1,528,479
Restricted for:	
Major and local roads.	83,445
Environmental expenditures	82,293
Unrestricted	<u>616,148</u>
Total net assets	<u>\$ 2,310,365</u>
Total liabilities and net assets	<u>\$ 2,338,669</u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Primary government:				
Governmental activities:				
General government	\$ 188,717	\$	\$ 5,409	\$ (183,308)
Public safety.	473,055	16,893		(456,162)
Community and economic development	3,256			(3,256)
Public works	7,717		14,025	6,308
Recreation and culture	35,515			(35,515)
Total primary government	\$ 708,260	\$ 16,893	\$ 19,434	\$ (671,933)
General revenues:				
Property taxes.				623,814
State shared revenues				25,674
Interest income				27,989
Franchise fees.				3,621
Miscellaneous				202
Special items:				
Sale of fixed assets.				1,500
Consent judgement				21,432
Total general revenue and special items . .				\$ 704,232
Changes in net assets				\$ 32,299
Net assets - July 1, 2005				2,278,066
Net assets - June 30, 2006.				\$ 2,310,365

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

	General	Major Road	Local Road	Improvement Revolving	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 539,231	\$ 60,300	\$ 20,346	\$ 97,237	\$ 717,114
Accrued interest receivable	9,857				9,857
Due from other funds	926	1,006	1,793		3,725
Restricted assets - cash and cash equivalents	82,293				82,293
Total assets	\$ 632,307	\$ 61,306	\$ 22,139	\$ 97,237	\$ 812,989
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,402	\$	\$	\$	\$ 7,402
Deposits payable	20,902				20,902
Due to other funds	2,799				2,799
Total liabilities	\$ 31,103	\$	\$	\$	\$ 31,103
Fund balances:					
Reserved	82,293				82,293
Unreserved - undesignated	518,911	61,306	22,139	97,237	699,593
Total fund balances	\$ 601,204	\$ 61,306	\$ 22,139	\$ 97,237	\$ 781,886
Total liabilities and fund balances	\$ 632,307	\$ 61,306	\$ 22,139	\$ 97,237	\$ 812,989

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

Total governmental fund balances. \$ 791,886

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$1,812,943	
Less accumulated depreciation	(284,464)	<u>1,528,479</u>

Net assets of governmental activities. \$ 2,310,365

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	Major Road	Local Road	Improvement Revolving	Total Governmental
Revenues:					
Current taxes	\$ 623,814	\$	\$	\$	\$ 623,814
Licenses and permits	13,510				13,510
State sources	25,674	9,604	4,421		39,699
Local sources	5,409				5,409
Fines and forfeitures	3,383				3,383
Interest earnings	22,626	1,972	115	3,276	27,989
Other	26,755				26,755
Total revenues	\$ 721,171	\$ 11,576	\$ 4,536	\$ 3,276	\$ 740,559
Expenditures:					
General government	203,024				203,024
Public safety	447,746				447,746
Community and economic development	3,256				3,256
Public works		3,710	4,007		7,717
Recreation and culture	32,917				32,917
Capital outlay	42,484				42,484
Total expenditures	\$ 729,427	\$ 3,710	\$ 4,007	\$	\$ 737,144
Excess of revenues over (under) expenditures	\$ (8,256)	\$ 7,866	\$ 529	\$ 3,276	\$ 3,415
Other financing sources (uses):					
Operating transfers in			2,401		2,401
Operating transfers out		(2,401)			(2,401)
Total other financing sources (uses) . . .	\$	\$ (2,401)	\$ 2,401	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses . . .	\$ (8,256)	\$ 5,465	\$ 2,930	\$ 3,276	\$ 3,415
Fund balance - July 1, 2005	609,460	55,841	19,209	93,961	778,471
Fund balance - June 30, 2006	\$ 601,204	\$ 61,306	\$ 22,139	\$ 97,237	\$ 781,886

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net change in fund balances - total governmental fund. \$ 3,415

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$67,134	
Less current year depreciation	(38,250)	<u>28,884</u>

Change in net assets of governmental activities. \$ 32,299

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2006

	Tax Collection Fund
ASSETS	
Cash and cash equivalents	\$ 926
Total assets.	\$ 926
LIABILITIES	
Due to other funds.	\$ 926
Total liabilities	\$ 926

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Lake Angelus conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Lake Angelus.

Reporting Entity

The City of Lake Angelus is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the repairs, maintenance, and construction of all the City's major streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Local Road Fund

The Local Road Fund accounts for the repairs, maintenance, and construction of all the City's local streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Improvement Revolving Fund

The Improvement Revolving Fund is a special revenue fund used to account for money advanced from the General Fund in accordance with statutory provisions.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Lake Angelus property taxes are levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City of Lake Angelus as of the preceding December 31st.

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These property taxes are billed on July 1 of the following year. Property taxes are billed on July 1 and are recognized as revenues for the year beginning July 1. These taxes are due on August 31 and with the final collection date of February 14. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year. Delinquent personal property taxes are not recorded as taxes receivable; revenues are recognized when received.

The 2005 taxable valuation of the City of Lake Angelus total \$62,405,030, on which ad valorem taxes levied consisted of 9.9571 mills for the City of Lake Angelus operation purposes, raising \$621,373. This amount is recognized in the General Fund financial statements as property taxes.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and cash equivalents".

Receivables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet.

All receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Restricted Assets

According to the provisions of the consent judgment the amount received is to be set aside for environmental expenditures.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements. There were no infrastructure assets acquired or constructed during the year ended June 30, 2006.

Capital assets are reported net of accumulated depreciation in the statement of net assets.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Improvements	5-50
Vehicles	5-12
Furniture and Equipment	5-20
(Police, Fire, Office)	

Compensated Absences (Sick Leave)

The City has no liability for compensation absences at June 30, 2006.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE B - Expenditures Over BudgetBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Mayor has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the Council is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Treasurer can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Lake Angelus incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Elections	\$ 850	\$ 2,525	\$ 1,675
General	Capital outlay	37,500	42,484	4,984

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$251,479 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE C - Deposits and Investments (continued)Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, held by the counterparty, or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City was invested only in bank investment pools that are 2a-7 and money market accounts.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has an investment policy that further limits its investment choices as detailed above. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep account	\$ 239,000	A-1	Moody's

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Real property and improvements	\$ 410,814	\$	\$	\$ 410,814
Recreation - land and buildings	568,500			568,500
Recreation - wildlife refuge	226,200			226,200
Subtotal	\$1,205,514	\$	\$	\$1,205,514
Capital Assets Being Depreciated:				
City hall and furnishings	\$ 80,336	\$	\$ 3,095	\$ 77,241
Dam control structure	36,300			36,300
Public safety	187,425	67,134	14,035	240,524
Real property and improvements	104,961			104,961
Recreation - land and buildings	91,546			91,546
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	41,493			41,493
Subtotal	\$ 557,425	\$ 67,134	\$ 17,130	\$ 607,429
Less Accumulated Depreciation:				
City hall and furnishings	\$ 54,385	\$ 4,369	\$ 3,095	\$ 55,659
Dam control structure	17,706	726		18,432
Public safety	47,242	25,309	14,035	58,516
Real property and Improvements	20,366	5,248		25,614
Recreation - land and buildings	70,013	2,388		72,401
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	38,268	210		38,478
Subtotal	\$ 263,344	\$ 38,250	\$ 17,130	\$ 284,464
Net Capital Assets Being Depreciated	\$ 294,081	\$ 28,884	\$	\$ 322,965
Governmental Activities Total Capital Assets-Net of Depreciation	\$1,499,595	\$ 28,884	\$	\$1,528,479

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE D - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$10,343
Public Safety	25,309
Recreation and Culture	<u>2,598</u>
Total Governmental Activities	<u>\$38,250</u>

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2006:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Tax Collection Fund	\$ 926
Major Road Fund	General Fund	1,006
Local Road Fund	General Fund	<u>1,793</u>
Total interfund receivable		<u>\$3,725</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

	<u>Transfers (Out)</u>
Transfers In	<u>Major Road Fund</u>
Local Road Fund	<u>\$ 2,401</u>

NOTE F - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Environmental	<u>\$62,293</u>

NOTE G - Fire Protection Agreement:

Effective July 1, 2002 the City has entered into a fire protection agreement with Waterford Township. The services the Township shall provide for the City includes fire fighting and response, arson investigation and follow-up, EMS response, and dispatch services for fire, police and EMS calls. The term of this agreement is from July 1, 2002 to December 31, 2012. Effective June 1, 2003, the Township shall no longer provide police dispatch or other police services to the City.

Commencing January 1, 2003, the City shall pay to the Township for services hereunder, four (4) equal quarterly payments of \$35,437.50, due and payable on January 1, 2003, April 1, 2003, June 1, 2003, and October 1, 2003 for services for the year 2003. As a result of the discontinuance of police dispatch services on June 1, 2003, the City shall be given a credit from its October 1, 2003 payment to the Township in the amount of \$18,900.00

As part of the agreement, the City has purchased for the Township a fire truck in the amount of \$356,079 along with fire equipment in the amount of \$55,220 during the year ended June 30, 2003. Title to the fire truck and equipment is in the name of the Township and therefore, is not reflected in the City's general fixed assets. The Township also maintains insurance coverage for the fire truck and equipment. At the termination of the fire protection agreement for any reason or if the agreement is not renewed at the end of the original ten year period provided for in the agreement, the Township shall assign title of the fire truck to the City. In respect to the fire equipment, the City may request one or more of the items of equipment, in which case the Township shall release to the City free of any claim of the Township.

Commencing in the year 2004, and each calendar year thereafter, the annual payments shall be increased by an amount equal to an annual escalator of 5% per year, and paid in equal quarterly payments as in year 2003.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE H - Equity:

Fund balances have been reserved and designated for the following purposes:

	<u>General Fund</u>
Reserved:	
Environmental expenditures	\$ <u>82,293</u>

NOTE I - Risk Management:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and worker's compensation claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE J - Litigation and Contingent Liabilities:

The City is a defendant in various litigations. The City attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined, is not material or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE K - Building Permit Fund:

As per Public Act 245 of 1999 the building permit schedule of revenues and expenditures for the year is detailed below:

Revenues:	
Building permits (including electrical, heating and plumbing)	\$ 13,510
Expenditures:	
Inspections	<u>14,574</u>
Excess of revenues over (under) expenditures	\$ (1,064)
Balance at July 1, 2005	<u>(1,198)</u>
Balance at June 30, 2006	<u>\$ (2,262)</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current taxes	\$ 621,373	\$ 621,373	\$ 621,373	\$
Administration fee	545	545	558	13
Interest and penalty		1,800	1,883	83
	<u>\$ 621,918</u>	<u>\$ 623,718</u>	<u>\$ 623,814</u>	<u>\$ 96</u>
Licenses and permits	5,000	9,000	13,510	4,510
State sources - state revenue sharing	25,984	25,984	25,674	(310)
Local sources - grant			5,409	5,409
Fines and forfeitures	2,000	2,000	3,383	1,383
Interest earnings	21,900	20,150	22,626	2,476
Other revenue:				
Cable TV	3,300	3,300	3,621	321
Consent judgments	21,000	21,500	21,432	(68)
Sale of fixed assets		1,500	1,500	
Miscellaneous	3,950	4,460	202	(4,248)
	<u>\$ 28,250</u>	<u>\$ 30,750</u>	<u>\$ 26,755</u>	<u>\$ (3,995)</u>
Total other revenue	\$ 28,250	\$ 30,750	\$ 26,755	\$ (3,995)
Total revenues	\$ 705,052	\$ 711,602	\$ 721,171	\$ 9,569
Expenditures:				
General Government:				
City Council:				
Legal fees- general	25,000	22,000	16,812	5,188
Legal fees- court costs	1,000	14,500	14,989	(489)
Audit fee	6,000	6,000	5,870	130
Memberships	1,550	1,550	1,232	318
Council expenses	3,000	3,200	3,174	26
	<u>\$ 36,550</u>	<u>\$ 47,250</u>	<u>\$ 42,077</u>	<u>\$ 5,173</u>
Elections:				
Fees per diem	550	550	1,757	(1,207)
Notices	300	300	768	(468)
	<u>\$ 850</u>	<u>\$ 850</u>	<u>\$ 2,525</u>	<u>\$ (1,675)</u>
Assessor:				
Assessing fee	11,340	11,340	11,295	45
Other fees	100	100		100
Office supplies	200	325	309	16
	<u>\$ 11,640</u>	<u>\$ 11,765</u>	<u>\$ 11,604</u>	<u>\$ 161</u>

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government (continued):				
Clerk-Treasurer:				
Salaries	30,000	30,000	30,000	
Payroll taxes	2,300	2,300	2,295	5
Telephone	720	720	420	300
Postage, stationery and printing	1,250	1,200	1,243	(43)
Computer services	1,200	750	744	6
Legal notices	1,500	1,500	1,553	(53)
	<u>\$ 36,970</u>	<u>\$ 36,470</u>	<u>\$ 36,255</u>	<u>\$ 215</u>
City Hall and grounds:				
Repairs and maintenance	18,000	2,750	2,145	605
Utilities	650	650	724	(74)
	<u>\$ 18,650</u>	<u>\$ 3,400</u>	<u>\$ 2,869</u>	<u>\$ 531</u>
Other general services administration activities:				
Insurance- general	33,600	33,600	32,684	916
Fireworks display	8,000	8,000	8,000	
Street maintenance	4,200	4,200	505	3,695
Publication	350	350	350	
Environmental	30,000	56,500	56,597	(97)
Miscellaneous	28,782	10,950	9,558	1,392
	<u>\$ 104,932</u>	<u>\$ 113,600</u>	<u>\$ 107,694</u>	<u>\$ 5,906</u>
Total general government	<u>\$ 209,592</u>	<u>\$ 213,335</u>	<u>\$ 203,024</u>	<u>\$ 10,311</u>
Public safety:				
Police department:				
Salaries	188,000	188,000	190,178	(2,178)
Payroll taxes	18,500	18,500	17,511	989
Education and training		2,100	1,830	270
Uniforms	2,000	3,750	3,711	39
Auto expense and repair	3,000	5,200	5,639	(439)
Boat expense	1,000	1,700	1,713	(13)
Insurance	13,000	16,550	16,872	(322)
Gas and Oil	13,000	11,000	10,465	535
Telephone	4,200	3,300	3,097	203
Utilities	4,500	4,200	3,602	598
Dispatch	10,300	10,300	10,216	84
Computer	1,200	1,000	915	85
Cleaning	2,000	3,200	2,730	470
Miscellaneous supplies	7,200	5,000	4,255	745
	<u>\$ 267,900</u>	<u>\$ 273,800</u>	<u>\$ 272,734</u>	<u>\$ 1,066</u>
Fire protection	160,450	160,450	160,438	12
Inspections	22,500	17,000	14,574	2,426
Total public safety	<u>\$ 450,850</u>	<u>\$ 451,250</u>	<u>\$ 447,746</u>	<u>\$ 3,504</u>
Community and economic development - planning commission	100	4,800	3,256	1,544

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Culture and recreation:				
Repairs and maintenance.	40,300	32,700	32,125	575
Miscellaneous.	1,730	1,005	792	213
Total culture and recreation	\$ 42,030	\$ 33,705	\$ 32,917	\$ 788
Capital outlay:				
Public safety.	38,500	37,000	42,164	(5,164)
Dam control structure.	1,000	500	320	180
Total capital outlay	\$ 39,500	\$ 37,500	\$ 42,484	\$ (4,984)
Total expenditures	\$ 742,072	\$ 740,590	\$ 729,427	\$ 11,163
Excess of revenues over (under) expenditures . .	\$ (37,020)	\$ (28,988)	\$ (8,256)	\$ 20,732
Fund balance - July 1, 2005.	609,460	609,460	609,460	
Fund balance - July 30, 2006	\$ 572,440	\$ 580,472	\$ 601,204	\$ 20,732

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 10,044	\$ 10,044	\$ 9,604	\$ (440)
Interest earnings	250	250	1,972	1,722
Total revenues	\$ 10,294	\$ 10,294	\$ 11,576	\$ 1,282
Expenditures:				
Road maintenance	37,383	37,383	3,310	34,073
Administration	400	400	400	
Total expenditures	\$ 37,783	\$ 37,783	\$ 3,710	\$ 34,073
Excess of revenues over (under) expenditures . . .	\$ (27,489)	\$ (27,489)	\$ 7,866	\$ 35,355
Other financing uses - operating transfers out	2,511	2,511	2,401	110
Excess of revenues over (under) expenditures and other uses	\$ (30,000)	\$ (30,000)	\$ 5,465	\$ 35,245
Fund balance - July 1, 2005	55,841	55,841	55,841	
Fund balance - June 30, 2006	\$ 25,841	\$ 25,841	\$ 61,308	\$ 35,245

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 3,345	\$ 3,345	\$ 4,421	\$ 1,076
Interest earnings	80	80	115	35
Total revenues	\$ 3,425	\$ 3,425	\$ 4,536	\$ 1,111
Expenditures:				
Road maintenance	5,536	5,536	3,607	1,929
Administration	400	400	400	
Total expenditures	\$ 5,936	\$ 5,936	\$ 4,007	\$ 1,929
Excess of revenues over (under) expenditures	\$ (2,511)	\$ (2,511)	\$ 529	\$ 3,040
Other financing sources - operating transfers in	2,511	2,511	2,401	(110)
Excess of revenues and other sources over expenditures	\$	\$	\$ 2,930	\$ 2,930
Fund balance - July 1, 2005	19,209	19,209	19,209	
Fund balance - June 30, 2006	\$ 19,209	\$ 19,209	\$ 22,139	\$ 2,930

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT REVOLVING FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Interest earnings	\$	\$	\$ 3,276	\$ 3,276
Fund balance - July 1, 2005	93,961	93,961	93,961	
Fund balance - June 30, 2006	<u>\$ 93,961</u>	<u>\$ 93,961</u>	<u>\$ 97,237</u>	<u>\$ 3,276</u>

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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50
YEARS
1954-2004

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 23, 2006

To the City Council and Management of
the City of Lake Angelus, Michigan

Supplementing our report on audit of accounts of the City of Lake Angelus for the year ended June 30, 2006 we offer the following general management comments and recommendations:

1. We noted that the budget was amended during the year in an attempt to comply with budget requirements. Despite the amendments, expenditures exceeded budget amounts in various activities. Listed below are the significant budget overruns.

<u>Fund</u>	<u>Activity</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount of</u> <u>Expenditure</u>	<u>Variance</u>
General Elections		\$ 850	\$ 2,525	\$ 1,675
General Capital outlay		37,500	42,484	4,984

We recommend that the City continue to review the budget and make amendments as needed.

2. The building expenses for police station improvements and repairs are currently being charged to repairs and maintenance under the City recreation activity. We recommend creating budget line items under City Hall for police building improvements and police building repairs and maintenance. Building improvements would include items greater than \$1,000 that increase the useful life of an asset (e.g., new roof, new doors or an addition). Repairs and maintenance would include all items less than \$1,000 and items that do not materially add value or appreciably prolongs the useful life of an asset (e.g., painting).

We would like to thank the Council for the opportunity to serve as auditors for the City, and to express our appreciation for the courtesy and cooperation extended to our staff during the course of our audit. We would be pleased to discuss the above items with the Council and to assist in the implementation of the recommendations.

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants